

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 TAR-01 STR-01 AGR-05 INT-05

GSA-01 CEA-01 DODE-00 PM-03 H-02 L-02 NSC-05 PA-01

PRS-01 SS-15 USIA-06 /096 W
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R 250947Z MAR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1647

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA 3777

E.O. 11652: GDS

TAGS: ETRD, EMIN, JA, RP

SUBJECT: VIRATA ACCUSATION OF TRADE UNDERVALUATION

REF: MANILA 3042

1. AP WIRE STORY MAR 18 REPORTED FINANCE SEC VIRATA AS HAVING CHARGED IN SYMPOSIUM ON PHILIPPINE-JAPANESE RELATIONS THAT TRADERS DELIBERATELY UNDERVALUED PHILIPPINE-JAPANESE TRADE BY ALMOST QUARTER-BILLION DOLLARS. VIRATA REPORTEDLY SAID THIS WAS DONE TO SAVE ON INCOME TAXES AND DUTIES AND TO SALT FUNDS AWAY ABROAD. HE QUOTED JAPANESE STATISTICS FOR TWO-SAY TRADE IN 1974 OF \$1,440 BILLION, CONTRASTING THIS WITH PHILIPPINE FIGURES OF \$1.119 (SIC) BILLION (CORRECT FIGURES IS \$1,193 BILLION).

2. VIRATA ALSO ACCUSED JAPANESE FIRMS OF DUMPING GOODS IN PHILIPPINE MARKET AND STATED THAT FAILURE OF JAPANESE SMELTERS TO BUY COPPER CONCENTRATES WAS QUOTE SERIOUS BREACH AS FAR AS THE TRADING RELATIONSHIP IS CONCERNED. UNQUOTE

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3. VIRATA COMMENTS, WHICH APPEAR BOTH HARDLINE AND FACTUALLY

INCOMPLETE, ATTRACTED CONSIDERABLE ATTENTION. THREE POPULAR THEORIES ARE THAT (A) HE WAS MISQUOTED; (B) STATEMENTS WERE RESULT OF POOR STAFF WORK; (C) HIGHER LEVEL POLICY DECISION WAS MADE TO ADOPT THIS TACK. VIRATA HIMSELF, HOWEVER, CONFIRMS MAIN THRUST OF REMARKS AS REPORTED BY AP.

4. THE ISSUE OF WHERE COPPER CONCENTRATE EXPORTS STAND IS TO SAY THE LEAST MUDDY. JAPANESE EMBASSY SOURCES SAY EXPORTS ARE PROCEEDING WITH LOWER END OF RANGE PERMITTED BY CONTRACTS. JAPANESE MINISTER TSUTSUMI COMMENTS, HOWEVER, THAT HIS COUNTRY'S BUYERS WOULD LIKE TO CUT BACK 15 PERCENT PRESUMABLY FROM LOWER END OF CONTRACT RANGE. VARIOUS RANKING GOVERNMENT OFFICIALS SAY CONTRACTS HAVE BEEN BREACHED AND THAT TALKS ON SOLUTION TO PROBLEM ARE STALEMATED. JAPANESE EMBASSY CONTINUES TO STATE THEIR BUYERS CANNOT CUT BACK UNILATERALLY BECAUSE THEY HAVE CONTRACTS WHICH MUST BE HONORED. THEY ARE APPEALING, JAPANESE EMBASSY STATE, TO FILIPINOS FOR RELIEF THROUGH VOLUNTARY REDUCTION BY PHILIPPINE EXPORTERS. OFFICIALS OF MAJOR PHILIPPINE MINING FIRMS STATE THERE HAVE BEEN NO REPEAT NO JAPANESE IMPOSED CUTBACKS.

5. JAPANESE EMBASSY REGARDS VIRATA SPEECH AS VERY SEVERE AND INACCURATE CRITICISM, AND JAPANESE EMBASSY HAS INDICATED EMBASSY IS ALREADY WORKING ON STATISTICAL COMPARISON TO BE CONVEYED TO PHILIPPINE DEPARTMENT OF TRADE. SINCE PHILIPPINE EXPORT AND IMPORT STATISTICS ARE ON F.O.B. BASIS WHILE JAPANESE IMPORT FIGURES ARE C.I.F. EMBASSY INDICATED C.I.F. VALUES NORMALLY RUN ABOUT 18-20 PERCENT HIGHER THAN F.O.B. SINCE PHILIPPINE EXPORTS TO JAPAN IN 1973 TOTALLED \$674.5 MILLION, COMPARED TO ONLY \$518.5 MILLION IN IMPORTS, STATISTICAL DIFFERENCES COULD ACCOUNT FOR GREATER PART OF QUOTE UNDERVALUATION. UNQUOTE.

6. VIRATA STATEMENTS REFLECT NONETHELESS A CONSIDERABLE AND HARDLY MODERATED IRRITATION WITH JAPANESE WHICH HAS BEEN ECHOED WITH SURPRISING HEAT BY OTHER CABINET MEMBERS IN PAST FEW DAYS. AMBASSADOR SAWAKI, WHO TOOK BOTH BARRELS OF VIRATA CHARGE AT FIRST HAND, IS NO DOUBT AT SOME PAINS TO REDUCE THE ISSUE AS MUCH AS POSSIBLE TO MERELY STATISTICAL VARIANCE. SAWAKI'S EFFORTS MAY NOT PROSPER SINCE INCREASINGLY CONFIDENTIAL

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VALAL ANTI-JAPANESE SENTIMENT IN TOP LEVELS OF PHILIPPINE LEADERSHIP REFLECTS POSSIBLY A RENASCENT CONCERN OVER DOMINANT JAPANESE ROLE AS WELL AS AN OBVIOUSLY CURRENT ANNOYANCE WITH RECENT JAPANESE ACTIONS, FOR WHICH THE COPPER EXPORT ISSUE HAS BECOME A CELEBRATED EXAMPLE. SULLIVAN

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